

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7817

BILL NUMBER: HB 1009

NOTE PREPARED: Jan 13, 2003

BILL AMENDED:

SUBJECT: Taxation of personal property.

FIRST AUTHOR: Rep. Stevenson

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

STATE IMPACT	FY 2003	FY 2004	FY 2005
State Revenues			(25,000)
State Expenditures			4,700,000
Net Increase (Decrease)			(4,725,000)

Summary of Legislation: This bill eliminates the 30% valuation floor that applies to the assessment of the personal property for property tax purposes.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school general fund levies attributable to all property and 20% of the portion of all operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. Homestead Credits are paid by the state in the amount of 20% of the net property tax due on owner-occupied residences.

The tax shifts from business personal property to other property in the bill would cause the state's expense for regular PTRC and Homestead Credits to increase. PTRC and Homestead Credits are paid from the Property Tax Replacement Fund, which is annually supplemented by the state General Fund. Therefore, any additional PTRC or Homestead Credit payments would ultimately come from the state General Fund. The

additional state expense is estimated at \$4.7 M in FY 2005 (partial year) and \$14.4 M in FY 2006. This amount will grow by about 5.3% per year.

Explanation of State Revenues: The state levies a tax rate for State Fair and State Forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds. The annual revenue reduction under this proposal is estimated at about \$25,000 in FY 2005 and \$50,000 in years following.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current regulations, the total value of a taxpayer's depreciable property located in the same tax taxing district must be at least 30% of the total cost of the property. This is known as the 30% valuation floor. This bill would remove the floor beginning with March 1, 2004 assessments for property taxes paid in CY 2005.

The removal of the floor would reduce the assessed value of personal property which would shift part of the tax burden from personal property taxpayers to all property taxpayers. The following table contains the estimates of tax shifts in CY 2005, based on examination of data from returns with over \$150,000.

Estimated CY 2005 Property Tax Shifts 30% Floor Removal		
Property Type	% Shift	Tax Shift
Agricultural	1.3%	5.2 M
Residential	1.8%	36.7 M
Commercial	-0.1%	-2.0 M
Industrial	-3.0%	-26.4 M
Utility	-13.3%	-27.7 M
PTRC		5.0 M
Homestead Credit		9.2 M
Total Change		0.0

State Agencies Affected: Department of Local Government Finance;

Local Agencies Affected:

Information Sources: Local Government Database

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